

My Speech in the European Affairs Debate, 15 March

John Redwood (Wokingham) (Con)

Before the referendum, I made a speech in the House saying that we had become a puppet Parliament. All too often, regulations came from the EU that we could do nothing about, because they acted directly. In many other cases, even if we had been outvoted or were not happy about a proposition, a directive instructed the House to put through massive and complex legislation whether it wished to or not. We had a situation in which the Front Benchers of the main parties, alternating in government as they tended to do, went along with this. The convention was that the Opposition did not really oppose, because they knew that Parliament was powerless and that the decision had been made elsewhere, whether the British people liked it or not. That even extended to tax matters, such as a number of VAT issues, including areas where we cannot change VAT as we would like, and to corporation tax issues, which included occasions when we thought that we had levied money on companies fairly, but the EU decided otherwise and made us give it back.

Many British people shared my concern, and that was why we all went out together and voted in large numbers to take back control. The British people wanted to trust their British Parliament again. Of course they will find times when they dislike the Government, individual MPs and whole parties, but they can live with that, because they can get rid of us. They know that come the election, if we cease to please, they can throw one group out and put in place a group who will carry out their wishes. They said very clearly to our Parliament in that referendum, "Take back control; do your job."

A recent example is that of Her Majesty's Government presenting a very long and complex piece of legislation to completely transform our data protection legislation. Because it was based entirely on new EU proposals, it went through without any formal opposition. The Opposition obeyed the convention and did not vote against it or try very hard to criticise it. I am sure that if the proposal had been invented in Whitehall and promoted actively by UK Ministers, the Opposition would have done their job, found things to disagree with and made proposals for improvement. We will have this "puppet Parliament" effect all the time that we are under control from Brussels.

Jonathan Edwards

Given the scenario that the right hon. Gentleman is putting forward, is it not the truth that the Welsh and Scottish Parliaments will also be puppet Parliaments post Brexit?

John Redwood

No, that is not true. In their devolved areas, they have genuine power, which they exercise in accordance with their electors' wishes, but of course this

is the sovereign United Kingdom Parliament, and the devolved powers come from the sovereign Parliament, as the hon. Gentleman well understands, which is presumably why he likes being here.

Sir William Cash

Will my right hon. Friend also bear in mind the manner in which laws are made in Europe? They are made behind closed doors in the Council of Ministers with no proper record of who votes, how and why—we are outvoted more than any other country—and then those laws come here and are imposed upon us in this Parliament.

John Redwood

I quite agree.

We wish to take back control. We will be a very different and much better country when this Parliament can settle how much tax we levy, how we levy it, how we spend money, how we conduct ourselves and what kind of laws we have.

My main remarks for the Minister and his colleagues on the Treasury Bench, however, concern the conduct of the negotiations. Like the Minister, I wish the Government every success. I hope that they get a really good deal—I look forward to seeing where they get to—but the EU is trying to make the process as difficult as possible by insisting on conducting the negotiations in reverse order. It says first that we have to agree to pay it a whole load of money that we do not owe. It then says that we have to agree a long transition period that coincides with its further budget periods, so that it can carry on levying all that money, and that is before we get on to what really matters: the future relationship and the questions of whether there be a comprehensive free trade agreement, what it will cover, and if it will be better than just leaving under WTO terms.

In order to have a successful negotiating position, the Government have rightly sketched out a couple of important propositions. The first is that nothing is agreed until everything is agreed. That is fundamental, and I urge Ministers to understand that they must not sign any withdrawal agreement unless and until there is a comprehensive agreement that is credible and that can be legally upstanding, because there is no point paying money for nothing. There would only be any point in giving the EU all that money if there was a comprehensive agreement that the Government and the country at large could be proud of, and which enough leave voters could agree with as well as remain voters.

The second thing that the Government have rightly said is that no deal is better than a bad deal. That, again, is fundamental to the negotiations. I have never made any bones about this, because I said before the referendum that no deal was quite a likely outcome, and a fine outcome. For me, no deal is a lot better than staying in the EU: it would give us complete control over our money, meaning we could start spending it on our priorities; it would give us complete control over our laws, meaning we could pass the laws and levy the taxes that we wanted; it would give us complete control over our

borders, meaning we could have the migration policy of our choosing; and it would give us the complete right and freedom to negotiate a trade policy with the EU and anybody else. That would depend, of course, on the good will of the other side as well, but I would far rather be in that position than part of a customs union in which I had little influence and that was extremely restrictive against others. There is therefore an awful lot going for no deal.

The Minister and his colleagues must stick to the proposition that they will recommend a deal to the House only if it is manifestly better than no deal. They need to keep reminding the EU negotiators that no deal offers Britain most of what it wanted when it voted to take back control.

Anna Soubry

Will my right hon. Friend confirm whether he has seen the Government analysis—apparently it involves excellent modelling and is far better than anything they did in the run-up to the EU referendum—showing that if we were to crash out without a deal and rely on WTO tariffs, our projected increase in productivity and economic growth would be reduced by 7.7%? Is that what his remain-voting constituents—the majority—voted for?

John Redwood

No, of course it is not, but that is not true. I have written at great length about that elsewhere. Unfortunately, I do not have time to go into a detailed rebuttal of those proposals, but we know that the Treasury modelling got entirely the wrong answer for the first 18 months after the referendum. Its short-term forecast, which should be easier to make, was massively wrong and predicted a recession. I and a few others put our forecasting reputation on the line during the referendum by saying that there would be growth after an out vote, rather than what the Treasury forecast. We were right.

I assure my right hon. Friend that I have not voted for anything that will make us poorer. We will be growing well, as long as we follow the right domestic policies. It is complete nonsense to say that there will be that kind of hit. It implies that we lose over half our exports to the European Union, and it is not a proper reflection of what would happen to our trade adjustment were anything that big to happen. I want to concentrate on the customs union.

Vicky Ford

Will my right hon. Friend give way?

John Redwood

I am sure that my hon. Friend wants me to concentrate on the customs union, because she shares my wish that the Government will be well supported if the Opposition decide to have a third go at voting through a customs union or customs union membership.

I remind the House that we have twice had big votes in the Commons in which

Members have voted by a very large majority against our staying in the or a customs union. One was on an amendment to the Queen's Speech motion, and the other was on an amendment to the European Union (Withdrawal) Bill. I hear that some Labour Members may have changed their minds and want to vote again. I am a democrat, and the Opposition have their own ways of doing what they want to do, but I urge them not to vote to stay in the customs union.

Above all, are Labour Members not at all worried about poverty in emerging markets? Do they not think it is wrong that we place huge tariffs on poor countries' tropical produce—produce that we cannot grow for ourselves? Would it not be great, when we are outside the EU customs union, to be able to take down those tariffs and give those countries more hope of promoting themselves by good trade, while at the same time benefiting our customers because they would be able to buy cheaper tropical products? Can we not do good trade deals with those emerging market countries across the piece? The tariff barriers are too high, and we could make mutually advantageous changes if we were free to do so. I urge the Labour party to remember its roots in campaigning against poverty and to join me in saying that the best way to get the world out of poverty is to get down the high tariffs on emerging market countries that the EU imposes, which I certainly do not agree with.

The Minister must remind Labour Members that no deal is better than a bad deal, and that no deal allows us to take back control of all the things that he and I promised to take back control of. He must also remember that we do not owe the EU any money. It would be fatally wrong to pay it loads of money if everything else does not work in the way we want.

Vicky Ford

Will my right hon. Friend confirm that he agrees with the Prime Minister that we should look for a deal that covers many sectors that are not covered by the WTO, such as aviation, data exchange and having a mutual recognition of financial services, so that trade in those areas can easily continue?

John Redwood

I am afraid that I am out of time, so I cannot go into detail on all these matters. I believe that we should negotiate strongly and positively. I wish my right hon. Friend the Prime Minister every success, but I wish to strengthen her hand by saying that out there in the country, the message is, "Get on with it." If that means leaving with no deal, that is absolutely fine.

Meeting with Local Government Minister

I attended a meeting between Wokingham Council and the local government Minister earlier this week to put the case against negative grant and to

argue for a better financial settlement for Wokingham and similar placed Councils at the bottom end of the grant lists. The government is currently consulting on these matters, and will publish its conclusions later this year.

The tax revenue pours in – but not from all taxes

Mr Osborne's policy of cutting the budget deficit always relied primarily on a big boost to tax revenues. That is also the policy of his successor, Mr Hammond. Total tax revenue of £604bn in 2014-15 is expected to rise to £699bn in 2017-18. By 2022-23 they want to be taking £815bn from us. In 2009-10, the last Labour year, they collected just £476.4bn. Tax revenue in 2017-18 will be a massive 47% higher.

They expect Capital Gains tax receipts, Stamp duty on shares and self assessment Income tax to fall in 2017-18. The main gains in 2017-18 are forecast to come from National Insurance and environmental levies assisted by PAYE Income Tax and VAT. There is a substantial reduction in forecast for all years for Capital Gains Tax, reaching a £2.3bn fall in 2022-23. Capital Gains will bring in not much more than in the last Labour year before the crash, when rates were lower. There is a reduction in the Stamp Duty land tax forecast revenue in every year as well, reaching a £0.6bn cut in 2022-23.

This is no surprise. The Treasury underestimates how sensitive to the rate of tax these sources of revenue are. Rich people who pay much of the CGT and all of the top end Stamp Duty do not have to undertake a transaction, and are clearly in many cases not doing so because they do not intend to pay the combined high CGT and Stamp Duty charge. The higher rates of Stamp Duty and the maintained higher rate of CGT on property have brought about a substantial reduction in higher priced property turnover, hitting the revenues.

If you want to follow a higher tax revenue strategy on this scale successfully it is important to fix rates that maximise the revenue from each tax source. The Treasury is still struggling with finding out that revenue maximising rates are lower than they think.

Water capacity

There is currently a consultation underway over future water resources for the Thames Valley. The main supply companies agree that we will need a new major reservoir, and have proposed a site near Abingdon. This would be a common facility for all local water companies. It could store more water for us and put it into the river system when we need it.

Demand continues to expand with a growing population. There are one off savings in volumes when people switch to water meters. The danger in not providing additional storage capacity would come if we had three low rainfall years in succession. There could also be problems in relying too much on withdrawing water from chalk natural reservoirs, and seeking to rely on too much abstraction from rivers. Both of these can have unpleasant environmental impacts.

The extreme case of Cape Town is a warning to those who think we should keep capacity close to demand. Cape Town is now suffering badly from water shortage thanks to failing to put in more storage, and has now experienced a long period of low rainfall.

Thames Water is running its desalination plant most of the time on partial capacity, though this was designed to be an expensive long stop provision for shortage periods.

Scarce water?

There's plenty of rain in the UK in a typical year, and plenty of rivers that take the water back to the sea.

That does not mean we can relax about having an ample and good water supply. It still needs an industry to collect and process the water to the required standard, and to pipe it to homes and businesses on demand.

The authorities seem keener on regulating demand than on boosting supply. They rightly point out that some of the older pipes in the system are leaking, with quite high levels of suspected water loss in transmission. There are programmes to remedy this, but they can be very expensive as they usually entail digging up lots of roads and replacing miles of pipe, some of it still in good working condition. We need to decide a pace and realistic cost for moving to fewer leaks.

The authorities also like water meters. Charging people for what they use has its merits, and apparently produces a one off drop in water consumption as people adjust to the unit pricing of what they consume. Water meters help pin point leaking pipes on customer land and encourage water users to eliminate

such waste by mending their own pipes.

When it comes to accepting that substantial rises in population requires more water, there remains a range of options. There is the possibility of cleaning up more waste water to a higher standard and re using it. There is the ability to put in desalination plants as there's huge quantities of water all around us in the sea. That is not about to run out. There is the opportunity to extract more water from natural aquifers. Finally there is the obvious possibility of simply storing more of the water from rivers when they are running high or in flood for the times when there is little or no rain and the rivers are running low.

It is not good practice to extract large quantities of water from rivers when they are running low in hot weather, and not a good idea to run down supplies in natural aquifers too much. Given the great growth of population and water use in London and the south east I do think we need to plan for a substantial new reservoir to add to the flexibility of our system and to improve our resilience in dry times. I am writing in support of the proposal for a major reservoir near Abingdon, which I would like to go ahead sooner, not later. The new reservoir over its long life would provide cheaper water than desalination and would also provide a place to take excess water in times of flood.